

RECEIVED

JUL 19 2004

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE PETITION OF)
SIGMA GAS CORPORATION) Case No. 2004-00289
TO INCUR DEBT)

PETITION TO INCUR DEBT

Sigma Gas Corporation, (Sigma), petitions for an order granting approval of debt.

1. Sigma is a Kentucky corporation doing business in Kentucky operating a natural gas system in and around Magoffin County. Its President and Manager is Estill Branham, whose mailing address is P O Box 22, Salyersville, KY 41465;

2. It seeks approval to incur debt as required by KRS 278.300. The debt is estimated to be \$83,287.00 with the Commonwealth of Kentucky Transportation Cabinet as explained and described in Exhibit I.

3. The articles of incorporation were filed in Case No. 93-349.

Sigma requests that its application to incur debt to be approved.

SUBMITTED BY:



Estill Branham
P O Box 22
Salyersville, KY 41465
(606) 349-1505

PRESIDENT AND MANAGER OF
SIGMA GAS CORPORATION

**COMMONWEALTH OF KENTUCKY
TRANSPORTATION CABINET
AGREEMENT**

Magoffin County, STPR 460-3 (7)
FD52 077 55140 01U
Salyersville-Paintsville Road (US 460)
Item No. 10-0280.00

THIS AGREEMENT, made and entered into by and between the Commonwealth of Kentucky, Transportation Cabinet, Department of Highways, hereinafter called the Cabinet, Party of the First Part, and Sigma Gas Corporation, P.O. Box 22, Salyersville, Kentucky 41465, hereinafter called the Corporation, Party of the Second part.

WITNESSETH THAT:

WHEREAS, the Cabinet, in the interest of public safety and convenience, proposes widening and reconstructing of the Salyersville-Paintsville Road (US 460), from the junction with KY 40 in Salyersville, extending southeasterly to the junction with the Bert Combs Mountain Parkway, a distance of approximately 2.079 kilometers as shown by the Cabinet's survey and general plan sheets, which are hereby made a part of this agreement by reference; and

WHEREAS, subject project was authorized by TC 10-1, Official Order Authorization No. 55140 002, dated February, 10, 1997, subject to appropriate reimbursement by the Federal Highway Administration, which as pertains to this agreement is in the amount of \$83,287.00 as more particularly set forth in Section III; and

WHEREAS, the right of way for the proposed new section of the Salyersville-Paintsville Road (US 460) will pass over and include certain gas line facilities heretofore constructed and now maintained by the Corporation; and

WHEREAS, said facilities will be relocated as designed by the Corporation and shown on the Cabinet's survey and general plan sheets; and

WHEREAS, said facilities may be relocated upon highway right of way, with restrictions, or upon other private right of way to be obtained by the Corporation; and

WHEREAS, if required and applicable, the Cabinet will recommend approval of this project to the Federal Highway Administration for construction with funds apportioned to the Cabinet under the Federal Aid Highway Acts, and Acts amendatory thereof and supplementary thereto, including Title 23CFR645 Subpart A; and

WHEREAS, it is in the best interests of the Corporation and the Cabinet for the Cabinet to make the necessary removals, alterations or adjustments of the Corporation existing facilities with the Cabinet's Road Contractor, paid under a contract let by the Cabinet, with the Cabinet initially bearing 100% of the engineering and construction cost which is estimated to be \$83,287.00 (engineering \$5,618.00 and construction \$77,668.68), however the Corporation agrees to reimburse the Cabinet 100% of the actual cost;

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

SECTION I

The estimated cost of abandoning 1,894 meters of 100mm gas line and appurtenances located on public right of way is \$83,287.00, which is the 100% of total cost that will initially be paid by the Cabinet and reimbursed by the Corporation as shown by the estimate attached hereto, and which by this reference is hereby made a part of this agreement. The total work to be done is substantially as follows:

The Corporation will abandon 1,894 meters of 100mm gas line and appurtenances located on public right of way.

The Cabinet does hereby agree to relocate the gas lines as shown on the attached plans.

The Cabinet Road Contractor will install 1,863 meters of 100mm SDR11 gas line, 107 meters of 25mm service line, 72 meters of 150mm steel encasement pipe, 15 each – 100mm heat fusion saddles and appurtenances.

That a change order will be initiated by the Corporation and submitted to the Cabinet for prior approval in the event there is a change in scope of work, extra work to be performed or other major changes in the work covered by this agreement.

SECTION II

The Cabinet agrees that the relocation of said gas lines shall be included in Cabinet Road Contract for the reconstruction of Salyersville-Paintsville Road (US 460), and that the said contract shall include unit prices for the relocation of said gas lines according to the Cabinet's survey and general plan sheets.

The Cabinet agrees that it will require its contractor to perform the work of relocating the Corporation's gas lines in such a manner that the Corporation's service to consumers will not be unreasonably affected.

The Corporation will have the right to inspect the work and the Corporation shall have the authority to reject any material or work which it considers to be defective subject to approval of the Cabinet's Resident Engineer.

SECTION III

The Cabinet will reimburse the Corporation the full cost of the contract engineering by Howard Engineering, Inc. covered by this agreement. The Corporation hereby agrees to reimburse the Cabinet for the total cost of contract engineering and the cost for the installation of the Corporation's gas line facilities by the Cabinet Road Contractor as follows:

The amount of the Corporation's obligation to the Cabinet will be 100% of the total cost of the actual work covered by this agreement. This percentage will not change unless the Cabinet and the Corporation agree in writing to a revision.

The Corporation obligation is estimated to be \$83,287.00 as shown by the estimate attached hereto and made a part hereof, but the Corporation will be billed for the actual cost of the work whether it be more or less than the estimated amount of \$83,287.00.

The Corporation agrees to make ten (10) equal annual payments in the amount of \$8,328.70 of its total obligation, which is estimated to be \$83,287.00. The first annual payment of an estimated amount of \$8,328.70 is to be made no later than thirty (30) calendar days after gas line construction is completed and the Corporation has accepted gas line facilities. Each additional payment will be made between July 1st and July 31st of each successive year, until the Corporation's obligation is paid in full.

The Corporation will make every reasonable effort to compute said costs by and in accordance with the methods and procedures set forth in the Federal-Aid Policy Guide, Part 645.

The method of developing the relocation costs is found in Section 645.117 of the Federal-Aid Policy Guide.

To the extent practicable and without prejudice to the Corporation's right to be reimbursed, the itemized bills from the Corporation will be in reasonable detail and such form as will meet the approval of the Cabinet and the Federal Highway Administration.

The payments will be made on the basis hereinafter set forth:

- A. **Current Billings.** The Corporation may submit billings reflecting the actual cost incurred during any given work period, in which case the current billings will be paid within a reasonable time after receipt of same by the Cabinet.

- B. **Final Payment.** Upon completion of all of said work and the submission of final itemized invoices and as built drawings, the final billing will be forwarded for payment after review by the District Utilities Agent and the Central Office Utilities Section, it being understood, however, that the invoice is subject to audit and verification by the Cabinet and/or the Federal Highway Administration.

SECTION IV

The Corporation shall be reimbursed only for the cost of constructing the most economical type of facilities in the new location as will satisfactorily meet the same service requirement of the old facilities in the old location and a certification to this effect shall be included in its bill for reimbursement for work performed and actual cost incurred.

SECTION V

All records of the Corporation pertaining to this project will be subject to inspection at any reasonable time by representatives of the Cabinet and/or the Federal Highway Administration, and shall be retained as prescribed in Section 645.117 (i) of the Federal-Aid Policy Guide.

SECTION VI

The work of altering and maintaining the Corporation's facilities covered by this agreement at any time after they have been relocated by the Cabinet Road Contractor as herein provided shall be done by the Corporation at its sole expense except as may otherwise be provided by law. Such work as is necessary to install, alter, service and maintain any facilities within the Cabinet's right of way will be done in accordance with policies and procedures prescribed by the Cabinet's Permits Manual and in such a manner as will ensure the safety of the general public in their use of the road as a highway.

SECTION VII

It is also agreed by and between the parties hereto that the Federal-Aid Policy Guide, Part 645 issued by the Federal Highway Administration on May 25, 2000 and supplements and amendments thereto form an essential part of this agreement, and shall in no way be abrogated or superseded by the terms and provisions of this agreement.

SECTION VIII

By the execution of this contract, the Corporation warrants that it has a compensable interest in the utility facilities described herein.

IN WITNESS WHEREOF, the parties have executed this agreement by their duly authorized officers.

This the 17th day of August 2001.

COMMONWEALTH OF KENTUCKY
TRANSPORTATION CABINET

By: *Ralph Divine*
RALPH DIVINE, DIRECTOR
DIVISION OF RIGHT OF WAY
AND UTILITIES

SIGMA GAS CORPORATION

BY: *Estill B. Branham*

TITLE: *President*

APPROVED FOR UTILITIES
<u><i>GFS</i></u> <u><i>8/16/2001</i></u>
DATE

APPROVED, FORM AND LEGALITY:

Susan Pugh Chaplin
OFFICE OF GENERAL COUNSEL

2/2000

U.S 460
SALYERSVILLE-PAINTSVILLE ROAD
PROJECT NO. FSP077 0460 011-013
OSTPR 0460 3 (89)

ESTIMATE FOR GAS LINE RELOCATION					
ITEM NO.	BID ITEM DESCRIPTION	QUANTITY	UNIT	UNIT BID PRICE	UNIT PRICE
1	100mm (4in) GAS LINE SDR11	1882.99	Meter	* \$32.00	\$59,815.68
2	25.4in (1in) SERVICE LINES	107	Meter	\$22.00	\$2,354.00
3	150 (6in) STEEL ENCASUREMENT PIPE	72	Meter	\$192.00	\$13,824.00
4	100mm (4in) HEAT FUSION SADDLES	15	Each	\$125.00	\$1,875.00

GAS LINE TOTAL

\$77,668.68

SUB TOTAL

*PRICES BASED ON 1998 ADJUSTED AVERAGE UNIT BID PRICE
 PREPARED BY:

HOWARD ENGINEERING, INC.
 Ph. 606-884-6900 Fax 606-884-6901
 7-Feb-00

Revised 27-August-99 & February 9, 2000

ENGINEERING

TOTAL

\$77,668.68

5,618.00

\$83,287.00